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MEMORANDUM

TO: Directors of Special Education

FROM: Sharon K. Knoth, Acting Director of Special Education, Division for Student Learning

SUBJECT: American Recovery and Reinvestment Act Option for Reduction of Maintenance of Effort

DATE: April 9, 2009

As many of you know, the American Recovery and Reinvestment Act (ARRA) permits eligible school districts to reduce the local Maintenance of Effort (MOE) under the Individuals with Disabilities Education Improvement Act, Part B (Part B) by up to 50% of the amount of the increase that the local education agency (LEA) receives under the ARRA. LEAs have posed many questions about which LEAs are “eligible” and what flexibilities eligible LEAs are given by this provision. This memo will provide guidance on these issues.

Background

The MOE is a federal requirement that obligates grant recipients to maintain a certain level of state/local fiscal effort to be eligible for full participation in federal grant funding. To meet MOE requirements, an LEA has to spend at least as much local money in the current year as was spent in the prior year.

Part B provides that whenever there is an increase in Part B funding, including through the ARRA, eligible LEAs may reduce the MOE amount by 50% of the amount of the increase. LEAs must use these “freed up” funds that otherwise would have been used for special education and related services to support any of the activities that are authorized under the Elementary and Secondary Education Act of 1965.

Eligibility Requirements

Eligible LEAs include those districts that meet the requirements of Part B. To be eligible, an LEA must not:

- Be required to use the full 15% for coordinated early intervening services (CEIS). Note: nine (9) LEAs in Indiana are impacted by this prohibition and have already been contacted by the Department;
- Have audit findings for the past fiscal year (FY 2006);
- Have been cited for failing to submit timely and accurate data; or

- Have been determined to have any issues of uncorrected noncompliance within the Department.

Additionally, an LEA must have met adequate compliance for the five state-monitored indicators to be eligible.

Expanding the Pool of Eligible LEAs

Many LEAs have expressed an interest in exercising this flexibility with respect to the ARRA Part B dollars. However, currently very few LEAs across the state meet the requirements set forth above.

In an effort to identify more eligible LEAs, the Department is pursuing an aggressive strategy to make 2007 determinations about state-monitored performance indicators during the month of May, 2009 (a process that would normally occur in October). To the extent that additional LEAs meet the requirements above as a result, these LEAs will be qualified to exercise the MOE reduction flexibility provision with ARRA dollars.

What the Department Needs from the LEAs

Importantly, the eligibility status of an LEA at the time of its application for ARRA Part B funding will control for the life of the funding stream. Any LEA that would prefer to wait for the Department to make its 2007 determination (no later than May, 31, 2009) in an effort to achieve an eligible status must wait to file its application for ARRA funds until after the 2007 determinations have been made.

To facilitate this expedited process, the Department will be immediately requesting data relating to indicators 11, 12 and 13 from the LEAs. Prompt submission of this information will ensure a timely determination of status.

Reduction of MOE by Eligible LEAs and Use of Part B Stimulus Funds

An eligible LEA that takes advantage of the option to reduce its MOE by up to 50% of the amount of increase in Part B funds may use its Part B dollars allocated through ARRA to cover the costs of the services previously paid through state and local funds as long as the LEA ensures that it satisfies the reduced MOE requirement. Using Part B funds in this manner is not considered supplanting. If an eligible LEA voluntarily uses up to 15% of its increase for CEIS, this amount is subtracted from the 50% amount in determining the available reduction in MOE.

Example: An eligible LEA's MOE is \$5,000,000. The increase in Part B funds through ARRA is \$500,000. The LEA may reduce its MOE by up to \$250,000. The \$250,000 worth of services previously paid for by state and local funds as part of the MOE may now be paid for with Part B stimulus funds as long as the school ensures an MOE of \$4,750,000. If the LEA chooses to use 15% of the increase for CEIS (\$75,000), it may reduce its MOE by only \$175,000 as long as it ensures an MOE of \$4,825,000.

Additional Guidance

Federal guidance on use of Part B dollars allocated through the ARRA is available at <http://www.ed.gov/policy/gen/leg/recovery/index.html>.

If you have any questions, please contact your monitoring consultant at the Department.